

1 9 3 9

EIGHTY-SIXTH REPORT

Lehigh Valley Railroad Company

For the Year Ended December 31, 1939



1 9 3 9

EIGHTY-SIXTH REPORT

Lehigh Valley Railroad Company

For the Year Ended December 31, 1939

Lehigh Valley Railroad Company

Board of Directors

RICHARD W. BARRETT	JASPER N. HAINES
BRANDON BARRINGER	THOMAS H. McINNERNEY
COLBY M. CHESTER	EFFINGHAM B. MORRIS, JR.
MORRIS L. CLOTHIER	NORMAN B. PITCAIRN
ALAN C. DODSON	ERNEST G. SMITH
ARTHUR C. DORRANCE	JOHN R. SPROUL
ALBERT N. WILLIAMS, Ex-Officio	

Officers

A. N. WILLIAMS.....	PRESIDENT
R. W. BARRETT.....	VICE PRESIDENT AND GENERAL COUNSEL
JOHN DUFFY.....	VICE PRESIDENT
H. R. GERMAN.....	SECRETARY AND TREASURER
A. F. BAYFIELD.....	COMPTROLLER

LEHIGH VALLEY RAILROAD COMPANY

EIGHTY-SIXTH REPORT

Bethlehem, Pa., March 6, 1940.

To the Stockholders of the Lehigh Valley Railroad Company:

The Board of Directors submits herewith its report for the year ended December 31, 1939:

INCOME

Total Operating Revenues.....	\$45,358,986.81
Total Operating Expenses.....	32,792,245.89
Net Operating Revenue	<u>\$12,566,740.92</u>
Railway Tax Accruals	\$3,015,183.99
Equipment Rents—Net.....	2,292,805.87
Joint Facility Rents—Net.....	109,425.32
	<u>5,417,415.18</u>
Net Railway Operating Income.....	\$ 7,149,325.74
Other Income	<u>796,487.93</u>
Total Income	\$ 7,945,813.67
Deductions from Income.....	<u>8,004,369.40</u>
Net Income—Deficit	\$ 58,555.73

PROFIT AND LOSS

Balance, December 31, 1938.....	\$14,714,911.28
Transferred from Income.....	58,555.73
Tracks and Structures Retired.....	1,294,898.14
Miscellaneous	<u>342,430.13</u>
Balance, December 31, 1939.....	<u>\$13,019,027.28</u>

Gross Revenue for the year 1939 amounted to \$45,358,986, an increase of 10% compared with 1938.

Operating Expenses amounted to \$32,792,245, an increase of 4%, compared with 1938, and the operating ratio was 72%, compared with 76% in the two preceding years. Total taxes for the year accrued and charged against income amounted to \$3,422,838, while actual tax payments amounted to \$5,085,840.

Revenues from freight and passenger traffic increased during the year. While anthracite traffic was affected by conditions beyond the control of your Company, this was offset by increases in other freight. Although the war abroad occasioned a greater freight movement during the fall, general improvement was apparent throughout the year.

LEHIGH VALLEY RAILROAD COMPANY

A six weeks' suspension at bituminous mines in the spring served to stimulate interest in anthracite and increased its movement during that period, but this was offset, with the beginning of summer, by a severe price war among several of the larger producers which continued almost to the close of the year. Coal was offered at drastic reductions and many of the larger operators on your line hesitated to enter the conflict and did so only where necessary to protect important markets. On the other hand, some of the operators suspended operations. As a result, production on your line was seriously affected and revenues suffered adversely.

As stated in the 1938 report, the Interstate Commerce Commission, as of February 10, 1939, authorized the increase in anthracite rates on that traffic moving wholly within the State of Pennsylvania, which that Commission had previously authorized on interstate business in March, 1938. This increase amounted to a maximum of 11¢ per gross ton.

During the year, eighteen steamers carrying cargoes of ore, principally, were unloaded at your Company's Claremont Terminal on New York Bay, Jersey City. Thirty-five steamers were loaded outbound with grain, steel and miscellaneous cargoes. It was necessary to dredge the ship channel at the Terminal to accommodate these heavy vessels.

Sixty-three new industries, forty-one of them served by sidings, were located along your railroad during the year. Fifteen new tenants took space in the Starrett-Lehigh Building in New York City during this period and eleven tenants leased additional space. Seven new tenants were located in the Bronx-Lehigh Building in New York City and two tenants leased additional space. There were .97 miles of new industrial siding installed during the year and 1.09 miles were taken over by your Company from the New York Central Railroad at Honeoye Falls, N. Y., following abandonment of that Company's Canandaigua Branch.

Passenger traffic was aided by the New York World's Fair and the placing in service late in the year of ten new and modern coaches. Decision to continue the Fair in the summer of 1940 will likewise be helpful. The Interstate Commerce Commission has ordered all Eastern railroads to reduce passenger coach fares to a maximum of 2¢ a mile by March 24, 1940. Coach fares prior to this decision have been 2½¢ per mile.

Under the provisions of the Railroad Retirement Act, referred to in previous annual reports, your Company was required to pay to the

LEHIGH VALLEY RAILROAD COMPANY

Internal Revenue Department 2 $\frac{3}{4}$ % of salary and wage payments up to \$300 per month per employe. This amounted to \$552,157.38 for the year 1939. An equal payment was also made into the fund by all officers and employes of your Company. In addition, your Company paid to retired officers and employes \$15,589.28 in excess of the maximum pension allowance of \$120 per month granted by the Railroad Retirement Board. 1,593 retired employes are now receiving pensions under the provisions of the Act. Effective January 1, 1940, payments into the fund by your Company, as well as by all officers and employes, increased to 3%.

Under the Social Security Act, your Company paid to the Government taxes of 3% of payrolls for the first six months of 1939, which amounted to \$290,955.43. So far as Railroad Companies are concerned, the Social Security Act was replaced by the Railroad Unemployment Insurance Act, effective July 1, 1939, and for the last six months of the year 3% of payrolls, or \$306,579.52, was paid to the Railroad Retirement Board.

Equipment Trust Certificates Series "V" 1934, outstanding in the hands of the public, as of December 31, 1939, have been reduced from the original amount of \$5,100,000 to \$3,516,000.

Under the terms of your Company's Plan and Agreement, referred to in the last annual report, bank loans were reduced \$409,000 during the year and Public Works Administration Equipment Repair Notes (owned by the R.F.C.) issued in 1934 and 1936 were reduced from the original \$2,000,000 to \$944,500. In addition, the Company owes the Reconstruction Finance Corporation \$778,000, as referred to in the annual report for 1938.

The balance on deposit with the Railroad Credit Corporation under the Marshalling and Distributing Plan, at the close of the year, amounted to \$323,126.27.

As was stated in the 1938 annual report, your Company holds \$2,164,500 par value of The Lehigh Valley Coal Company's 6% Notes due January 1, 1943, and has guaranteed an additional \$1,953,000 of these Notes held by the public. This guaranty was originally made by your Company in 1893 on bonds which were later reduced in amount and replaced by these Notes. Under the financial readjustment plan of the Coal Company, the Notes held by your Company, together with interest from July 1, 1938, are to be exchanged on January 1, 1943, for the Coal Company's First and Refunding Mortgage Sinking Fund 5% Bonds, Series of 1932, maturing on February 1, 1954. The Coal

LEHIGH VALLEY RAILROAD COMPANY

Company advised your Company that as of February 9, 1940, 88.1% of the aforesaid 6% Notes had been deposited under the Plan, together with 88.5% of other Coal Company securities involved in the Plan. The Lehigh Valley Coal Company originated, in 1939, on the lines of your Company, 3,406,841 gross tons, compared with 2,966,480 tons in 1938.

Part of the Loyalsock Railroad Company, a subsidiary of your Company (known as the Bowmans Creek Branch) extending from Splash Dam to Lopez, a distance of 12.96 miles, in Luzerne, Wyoming and Sullivan Counties, Pennsylvania, was abandoned, in accordance with certificate of the Interstate Commerce Commission, dated May 15, 1939. No passenger or mail traffic has been handled on the line in recent years and practically no freight traffic was produced by the territory it served. A substantial saving to your Company on future maintenance and operation will result.

During the year 1939, your Company placed in service the following new equipment:

One Diesel-electric switching locomotive, making at the end of the year twenty-four of these locomotives in switching service on your road.

Ten air-conditioned passenger coaches.

Five hundred self-clearing hopper coal cars, 100,000 lbs. capacity.

Three tenders, 20,000 gallon capacity.

To provide better passenger service, a new train was inaugurated between Newark and Mauch Chunk, and improved equipment was installed on other passenger trains. To do this, two engines were modernized and three streamlined and five passenger cars were air-conditioned and equipped with improved lighting facilities. In addition, six 3-cylinder type engines were converted to 2-cylinder type in the interest of efficient and economical operation. All locomotives, passenger and freight cars owned by your Company, were adequately maintained during the year, and improved devices added, where more economical operation could be effected.

Mechanical plants for furnishing coal to locomotives were installed at four localities on your railroad. Four tractors and trucks were purchased to facilitate the handling of heavy parts in repairs to engines and much has been accomplished in concentrating the repair and maintenance of all types of locomotives at fewer machine shops. Unnecessary buildings and equipment have been retired in the most advantageous manner possible, thereby saving taxes and maintenance.

LEHIGH VALLEY RAILROAD COMPANY

Your Company's floating equipment was well maintained during the year and forty-nine pieces of equipment were overhauled and painted at the Marine Shops, Jersey City. Twelve pieces of floating equipment were retired, being unfit for further service. At the close of the year, there were 156 pieces of equipment in service.

Two highway grade crossings were eliminated; improvements were made in signals at six crossings, and standard flashing light signals installed at five crossings not previously protected. Improved automatic signals and interlocking devices were installed at various locations to improve operations from the standpoint of safety. In addition, savings in operation and maintenance were effected. Train dispatching offices were consolidated and telephone lines improved.

The roadbed of your Company was well maintained by installation of 2,549 tons of new rail and 159,678 new creosoted ties. Drainage ditches were provided at several points and seven new tools of various kinds were purchased to facilitate this work. Thirty-one bridges and trestles were repaired during the year.

Two passenger stations were renovated and painted; repairs and extensions were made at freight houses and piers, and coal and ash handling facilities were remodeled.

During the year considerable progress was made toward adjusting outstanding New Jersey taxes which have been in litigation since 1933. The State of New Jersey assessed \$14,621,727 against your Company for the years 1932 to 1939, inclusive. Of this amount, your Company paid \$9,407,604, and the balance of \$5,214,123 is or was in litigation. The suits for the years 1932 and 1933 were decided against your Company. The principal amount of taxes withheld for these two years was \$1,746,402. Arrangements were made to pay these taxes in installments and as of December 31, 1939, \$1,000,000 had been paid. The suits for the years 1934 to 1936, inclusive, were decided *against the State of New Jersey* by the United States Court for the District of New Jersey. The tax assessments involved in litigation for these years amounted to \$5,458,449, of which \$3,154,208 has been paid, and the District Court granted a permanent injunction against the State from collecting more than 70% of the assessments. The State has appealed this decision to the Circuit Court of Appeals for the Third Circuit. Tax litigation for the years 1937 to 1939, inclusive, involving assessments of \$5,584,189, of which \$2,284,188 is unpaid, is now pending before the Board of Tax Appeals of the State. Judge Forman of the

LEHIGH VALLEY RAILROAD COMPANY

United States District Court of New Jersey in his findings in the cases for 1934 to 1936, inclusive, made the following statement in reference to New Jersey taxes assessed against the Railroads:

“I conclude as a matter of law that the assessments involved herein are arbitrary, capricious, basically unsound, and so grossly excessive as to amount to constructive fraud.”

Your Company, on August 5, 1939, filed its petition for the approval of its Plan and Agreement of August 25, 1938, with the United States District Court in Philadelphia, in accordance with the provisions of the Chandler Act of July 29, 1939. This Act gives the Court power to hear and determine the fairness of and to confirm certain voluntary financial readjustment plans. Your Company's Plan does not involve any considerable readjustment, but provides for a moratorium in respect of the payment of a portion of the interest on its General Consolidated Mortgage Bonds. It also provides for the extension of bank and Reconstruction Finance Corporation loans and for the extension for ten years of three mortgages, viz: Pennsylvania and New York Canal and Railroad Company (Pennsylvania corporation) for \$8,500,000, which matured on April 1, 1939; The Lehigh Valley Rail Way Company (New York corporation) for \$15,000,000, which matures July 1, 1940; and Lehigh Valley Terminal Railway Company (New Jersey corporation) for \$10,000,000, which matures October 1, 1941. Hearings have been held and adjourned until March 15, 1940, in order to give the Company an opportunity to settle the New Jersey tax litigation.

The Black Tom Explosion case, before the Mixed Claims Commission, involves your Company's efforts to secure damages from the German Government on account of the destruction of its terminal at Black Tom, Jersey City, N. J., on the night of July 30, 1916. The Mixed Claims Commission is an international tribunal organized by Germany and the United States for the purpose of the settlement of claims. The Black Tom case has been in litigation since 1924 and the Commission rendered three unfavorable decisions. On October 30, 1939, the Commission, upon presentation of a large amount of additional evidence, entered an award in favor of your Company for \$9,900,322, with interest for various periods. This award was promptly certified by the Secretary of State to the Secretary of the Treasury for payment. Almost immediately litigation, which is now pending, was started by certain interests to prevent its payment. The United States District Court decided against the plaintiffs and they have appealed to the Court of Appeals. In the meantime, the Treasury Department

LEHIGH VALLEY RAILROAD COMPANY

has not paid from German funds, held for that purpose, any portion of the award. There are not sufficient funds on deposit in the Treasury Department to pay the entire award with interest but your Company should receive approximately \$9,900,000, less law fees and expenses. At the request of your Company, the fees are to be fixed by the American Commissioner of the Mixed Claims Commission, as provided by the statute.

The Federal Income Tax case for 1920-1927, inclusive, against your Company, was tried before the United States Board of Tax Appeals in December, 1936, and April, 1937. The Government claimed deficiencies, including interest, of approximately \$4,000,000. The Board's opinion was handed down August 8, 1939. Your Company's attorneys interpret the opinion as defeating the deficiencies claimed and enabling your Company to recover a refund in excess of \$100,000. While the matter cannot be regarded as finally settled, nevertheless the Board's opinion, which was unanimous, removes the danger that your Company might be compelled to pay out any large sum in satisfaction of this claim.

Early in the year, the President, Mr. D. J. Kerr, became ill and was granted a leave of absence. His health did not improve sufficiently to enable him to return to his duties. Mr. Kerr was retired and as of January 16, 1940, designated President-Retired.

Effective August 1st, Mr. A. N. Williams was elected Chairman of the Board, Executive Vice President and Director. At the annual meeting of the stockholders of your Company, January 16, 1940, Mr. Williams was elected President of the Company. The positions of Chairman of the Board and Executive Vice President have been abolished. At the same meeting, Mr. R. W. Barrett, Vice President and General Counsel, was also elected a Director.

The loyal and efficient service rendered by officers and employees is appreciated and acknowledged with the thanks of the management.

For the Board of Directors,

A. N. WILLIAMS,
President.

LEHIGH VALLEY RAILROAD COMPANY

GENERAL BALANCE SHEET

ASSETS		
INVESTMENTS:		
In road..... (See note below)	\$39,125,123.82	
In equipment.....	56,171,469.86	
		\$95,296,593.68
Improvements on leased railway property.....		2,313,317.49
Deposits in lieu of mtgd. property sold.....		10,500.00
Miscellaneous physical property.....		139,749.46
Investments in affiliated companies:		
Stocks	\$75,516,341.79	
Bonds	20,118,131.00	
Notes	125,000.00	
Advances	9,612,272.15	
		105,371,744.94
Other investments:		
Stocks	\$545,769.12	
Bonds	2,225,715.75	
Miscellaneous	482,817.87	
		3,254,302.74
Total investments		\$206,386,208.31
CURRENT ASSETS:		
Cash	\$3,928,497.88	
Special deposits.....	206,386.51	
Loans and bills receivable.....	2,662.64	
Traffic and car-service balances receivable.....	1,101,683.04	
Net balance receivable from agents and conductors	988,979.27	
Miscellaneous accounts receivable.....	1,352,287.79	
Material and supplies.....	2,408,342.53	
Interest and dividends receivable.....	16,054.91	
Rents receivable.....	39,645.03	
Other current assets.....	63,129.12	
Total current assets.....		10,107,668.72
DEFERRED ASSETS:		
Working fund advances.....	\$116,150.41	
Insurance and other funds.....	185,911.06	
Other deferred assets.....	324,065.68	
Total deferred assets.....		626,127.15
UNADJUSTED DEBITS:		
Rents and insurance premiums paid in advance	\$24,493.09	
Other unadjusted debits.....	2,154,600.59	
Total unadjusted debits.....		2,179,093.68
TOTAL ASSETS		\$219,299,097.86

NOTE:—The item Investment in Road represents only road property of Lehigh Valley Railroad Company proper (Phillipsburg, N. J., to Wilkes-Barre, Pa.). The total road and equipment investment of the system, including transportation subsidiaries, owned by your Company, is \$247,594,954.55.

LEHIGH VALLEY RAILROAD COMPANY

DECEMBER 31, 1939

LIABILITIES

STOCK:		
Common stock.....	\$60,501,700.00	
Preferred stock.....	24,700.00	
Total stock outstanding.....		\$60,526,400.00
Grants in aid of construction.....		5,944.00
LONG-TERM DEBT:		
Funded debt.....	\$117,936,000.00	
Less—Funded debt held in treasury or pledged.....	28,000,000.00	
	89,936,000.00	
Equipment Trust Certificates Series V.....	3,516,000.00	
Public Works Administration Loan (R. F. C.).....	944,500.00	
Reconstruction Finance Corp. Loan.....	778,000.00	
Non-negotiable Debt to Affiliated Companies.....	926,851.64	
Total long-term debt outstanding.....		96,101,351.64
CURRENT LIABILITIES:		
Loans and bills payable.....	\$7,491,666.70	
Traffic and car-service balances payable.....	599,226.74	
Audited accounts and wages payable.....	2,383,465.34	
Miscellaneous accounts payable.....	736,506.68	
Interest matured unpaid.....	415,031.60	
Unmatured interest accrued.....	285,894.37	
Unmatured rents accrued.....	503,349.99	
Other current liabilities.....	332,988.29	
Total current liabilities.....		12,748,129.71
DEFERRED LIABILITIES:		
Equipment purchased on installments.....	\$2,746,506.54	
Deferred interest, General Consolidated Mortgage Bonds.....	3,895,845.79	
State of New York, grade crossing eliminations.....	1,020,087.16	
Other deferred liabilities.....	12,473.50	
Total deferred liabilities.....		7,674,912.99
UNADJUSTED CREDITS:		
Tax liability.....	\$2,322,661.73	
Insurance and casualty reserve.....	75,000.00	
Accrued depreciation—Equipment.....	24,321,685.14	
Accrued depreciation—Miscellaneous physical property.....	50,441.42	
Other unadjusted credits.....	2,261,956.24	
Total unadjusted credits.....		29,031,744.53
CORPORATE SURPLUS:		
Additions to property through income and surplus.....	\$191,587.71	
Profit.....	13,019,027.28	
Total corporate surplus.....		13,210,614.99
TOTAL LIABILITIES		\$219,299,097.86
CONTINGENT LIABILITIES:		
Lehigh Valley Coal Co. 6% Notes due 1-1-43.....		\$1,953,000.00
New Jersey taxes—not accrued.....		\$5,110,107.00

LEHIGH VALLEY RAILROAD COMPANY

INCOME STATEMENT

For the Years Ended December 31, 1939 and 1938

	1939	1938	INCREASE OR Decrease
AVERAGE MILES OF ROAD OPERATED.....	1,282.69	1,298.63	15.94
OPERATING REVENUES:			
Anthracite coal freight revenue.....	\$13,687,146.37	\$13,575,396.38	\$111,749.99
Bituminous coal freight revenue.....	1,042,371.29	987,472.04	54,899.25
Merchandise freight revenue.....	25,698,539.75	21,866,879.76	3,831,659.99
Passenger revenue.....	2,216,171.15	2,187,218.23	28,952.92
Mail revenue.....	291,970.85	288,588.15	3,382.70
Express revenue.....	329,405.06	256,913.95	72,491.11
All other revenues.....	2,093,382.34	2,067,674.67	25,707.67
Total Operating Revenues.....	\$45,358,986.81	\$41,230,143.18	\$4,128,843.63
OPERATING EXPENSES:			
Maintenance of way and structures..	\$3,031,897.36	\$2,288,356.45	\$743,540.91
Maintenance of equipment.....	7,924,052.64	8,070,910.40	146,857.76
Traffic expenses.....	1,313,055.59	1,331,442.70	18,387.11
Transportation expenses.....	19,058,643.07	18,190,874.82	867,768.25
Miscellaneous operations	230,278.49	216,915.23	13,363.26
General expenses.....	1,235,923.11	1,417,802.78	181,879.67
Transportation for investment—Cr..	1,604.37	2,100.13	495.76
Total Operating Expenses.....	\$32,792,245.89	\$31,514,202.25	\$1,278,043.64
NET OPERATING REVENUE.....	\$12,566,740.92	\$9,715,940.93	\$2,850,799.99
DEDUCTIONS FROM REVENUE:			
Railway tax accruals.....	\$3,015,183.99	\$3,514,746.53	\$499,562.54
Equipment rents—net.....	2,292,805.87	2,113,186.33	179,619.54
Joint facility rents—net.....	109,425.32	181,559.21	72,133.89
NET RAILWAY OPERATING INCOME	\$7,149,325.74	\$3,906,448.86	\$3,242,876.88
OTHER INCOME:			
Misc. non-operating physical property	\$28,267.24	\$31,657.92	\$3,390.68
Separately operated properties-profit	102,987.82	62,909.64	40,078.18
Dividend income.....	28,728.04	75,770.74	46,942.70
Income from funded securities.....	444,849.87	485,313.51	40,463.64
Income from unfunded securities and accounts.....	11,998.97	38,182.95	26,183.98
Miscellaneous income.....	179,655.99	185,343.38	5,787.39
Total Other Income.....	\$796,487.93	\$879,178.14	\$82,690.21
Total Income.....	\$7,945,813.67	\$4,785,627.00	\$3,160,186.67
DEDUCTIONS FROM INCOME:			
Rent for leased roads.....	\$2,644,463.48	\$2,653,755.16	\$9,291.68
Miscellaneous rents.....	295,660.38	294,433.98	1,226.40
Miscellaneous tax accruals.....	236,788.92	241,782.73	4,993.81
Separately operated properties-loss..	1,712.03	1,534.76	177.27
Interest on funded debt.....	4,252,673.34	4,382,329.34	129,656.00
Interest on unfunded debt.....	356,083.25	185,511.19	170,572.06
Miscellaneous income charges.....	216,988.00	306,892.95	89,904.95
Total Deductions from Income.....	\$8,004,369.40	\$8,066,240.11	\$61,870.71
Net Income.....	\$58,555.73	\$3,280,613.11	\$3,222,057.38

LEHIGH VALLEY RAILROAD COMPANY

Statement of Funded Debt, December 31, 1939

DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	IN TREASURY OR PLEDGED	IN HANDS OF PUBLIC	INTEREST		
					RATE	PAYABLE	ACCURED DURING YEAR
LEHIGH VALLEY RAILROAD COMPANY:							
First Mortgage Bonds	May 15, 1868	June 1, 1948	.....	\$5,000,000	4%	June and Dec.	\$200,000.00
Consolidated Mortgage Bonds	Nov. 13, 1873	{ Perpetual	.....	10,062,000	6%	June and Dec.	603,720.00
*General Consolidated Mortgage Bonds	Sept. 30, 1903	May 1, 2003	{ \$1,000,000	23,639,000	4½%	June and Dec.	114,210.00
			{ 24,400,000	20,697,000	4½%	May and Nov.	1,585,560.00
				12,000,000	5%	May and Nov.	931,365.00
Equipment Trust Certificates Series V	Dec. 14, 1934	{ amounts semi-annually to Feb. 1, 1951	.....	3,516,000	4%	Feb. and Aug.	147,253.34
P.W.A. Equipment Repair Notes	Various	{ \$111,000 semi-annually to Aug. 1, 1943	.....	944,500	4%	Feb. and Aug.	39,445.00
Reconstruction Finance Corporation Loan	Apr. 30, 1938	Apr. 30, 1941	.....	778,000	4%	Apr. and Oct.	31,120.00
CONSOLIDATED REAL ESTATE COMPANY:							
First Mortgage Bonds	Feb. 1, 1906	Feb. 1, 1956	2,600,000	.....	4%	Feb. and Aug.	\$4,252,673.34
			\$28,000,000	\$85,174,500			

* Amount of authorized issue, \$150,000,000.
† Excludes interest on securities pledged.

Guaranties and Rentals, December 31, 1939

FIRST MORTGAGE GUARANTIES	DATE OF ISSUE	DATE OF MATURITY	IN TREASURY OR PLEDGED	IN HANDS OF PUBLIC	GUARANTIES AND RENTALS		
					RATE	PAYABLE	ACCURED DURING YEAR
Penna. & N. Y. Canal & R. R. Co., Consol.	Nov. 13, 1888	April 1, 1949	.....	4,000,000	4½%	Apr. and Oct.	\$200,000.00
Lehigh Valley Terminal Ry. Co.	Oct. 1, 1891	Oct. 1, 1941	.....	1,500,000	4½%	Apr. and Oct.	67,500.00
Greenville & Hudson Ry. Co.	April 1, 1897	April 1, 1937	1,000	3,000,000	4%	Apr. and Oct.	120,000.00
Irvington R. R. Co.	Feb. 1, 1906	Feb. 1, 1936	350,000	9,999,000	5%	Apr. and Oct.	500,000.00
The Lehigh Valley Rail Way Co.	June 23, 1890	July 1, 1940	125,000	.....	5%	Apr. and Oct.	17,500.00
Lehigh-Bio. Term. Ry. Corp'n.	Nov. 1, 1918	Nov. 1, 1938	.....	15,000,000	4½%	Feb. and Aug.	5,000.00
Middlesex Valley Railroad Co.	Aug. 26, 1892	Nov. 1, 1942	5,000,000	.....	4½%	Jan. and July	675,000.00
Rockester Southern R. R. Co.	Nov. 1, 1893	Nov. 1, 1943	422,000	178,000	5%	May and Nov.	225,000.00
Seneca County Ry.	Feb. 1, 1903	Feb. 1, 1933	500,000	.....	5%	May and Nov.	30,000.00
The Lehigh & Lake Erie R. R. Co.	Mar. 1, 1907	Mar. 1, 1937	.....	3,000,000	5%	Feb. and Aug.	21,250.00
Lehigh Valley Harbor Terminal Ry. Co.	Feb. 1, 1924	Feb. 1, 1954	.....	10,000,000	4½%	Mar. and Sept.	135,000.00
Lehigh & New York R. R. Co.	Aug. 24, 1895	Sept. 1, 1945	.....	2,000,000	5%	Feb. and Aug.	500,000.00
Total			\$6,823,000	\$48,677,000		Mar. and Sept.	80,000.00
RENTALS—LINES NOT OWNED:							\$2,601,250.00
Rental of Container Cars Leased from L. C. L. Corp.							
Barltan Terminal and Transportation Co.							\$12,061.29
New York Central Railroad Co.							2,000.00
Taxes charged as Rentals							17,201.76
Total Interest and Rentals							11,950.43
* Includes interest on securities in treasury or pledged.							\$2,644,463.48

LEHIGH VALLEY RAILROAD COMPANY

Operating Statistics for the Years Ended December 31, 1939 and 1938

	1939	1938	INCREASE OR Decrease	PER CENT.
TRAIN AND LOCOMOTIVE MILEAGE				
Revenue freight train miles—locomotive.....	3,680,826	3,373,515	307,311	9.11
Revenue passenger train miles—locomotive..	1,482,671	1,379,138	103,533	7.51
Revenue milk and express train miles— locomotive	597,492	626,269	28,777	4.59
Total revenue service train miles—loco- motive	5,760,989	5,378,922	382,067	7.10
Revenue freight train miles—motor.....	9,292	9,416	124	1.32
Revenue passenger train miles—motor.....	480,305	539,979	59,674	11.05
Total revenue service train miles— motor	489,597	549,395	59,798	10.88
Total revenue service train miles.....	6,250,586	5,928,317	322,269	5.44
Helping and light freight locomotive miles..	1,024,475	883,632	140,843	15.94
Helping and light passenger locomotive miles	226,331	209,521	16,810	8.02
Helping and light passenger motor miles.....		871	871	100.00
Total revenue service locomotive miles, ex- cluding switching and motor	7,011,795	6,472,075	539,720	8.34
Switching locomotive miles.....	4,124,568	3,746,934	377,634	10.08
Switching motor miles.....	4,658	5,502	844	15.34
Total revenue service locomotive miles, excluding motor	11,136,363	10,219,009	917,354	8.98
Non-revenue service locomotive miles.....	174,063	165,799	8,264	4.98
Non-revenue service motor miles.....	1,781	13,444	11,663	86.75
Per cent. helping and light of revenue ser- vice locomotive miles, excluding switch- ing and motor.....	17.84	16.89	.95	5.62
CAR MILEAGE				
Freight car mileage—loaded.....	150,132,439	133,772,549	16,359,890	12.23
Freight car mileage—empty.....	78,887,985	71,683,758	7,204,227	10.05
Freight car mileage—caboose.....	3,801,179	3,518,910	282,269	8.02
Total freight car miles.....	232,821,603	208,975,217	23,846,386	11.41
Average number of all freight cars per train	63.09	61.77	1.32	2.14
Per cent. loaded of total car miles.....	64.48	64.01	.47	.73
Passenger car miles—including Pullman.....	9,871,852	9,676,949	194,903	2.01
Baggage, dining, mail, express and milk car miles	11,306,055	11,021,919	284,136	2.58
Total passenger car miles.....	21,177,907	20,698,868	479,039	2.31
Average number of passenger train cars per passenger train	8.27	8.13	.14	1.72
GROSS TON MILES AND TRAIN HOURS				
Gross ton miles excluding locomotives (thousands)	9,364,083	8,341,547	1,022,536	12.26
Total freight train hours (thousands)	198,496	184,502	13,994	7.58
Gross tons per train.....	2,569	2,491	78	3.13
Gross ton miles per train hour.....	47,175	45,211	1,964	4.34

LEHIGH VALLEY RAILROAD COMPANY

Traffic Statistics for the Years Ended December 31, 1939 and 1938

	1939	1938	INCREASE OR Decrease	PER CENT.
Average miles of road operated.....	1,282.69	1,298.63	15.94	1.23
FREIGHT TRAFFIC				
Tons of revenue freight carried.....	21,489,749	19,005,655	2,484,094	13.07
Ton miles revenue freight.....	3,882,130,595	3,441,957,673	440,172,922	12.79
Miles per revenue ton.....	180.65	181.10	.45	.25
Freight revenue.....	\$40,428,057.42	\$36,429,748.18	\$3,998,309.24	10.98
Revenue per ton.....	\$1.88	\$1.92	\$.04	2.08
Revenue per ton mile—cents.....	1.041	1.058	.017	1.61
Tons of rev. freight per revenue freight train	1,052.03	1,017.45	34.58	3.40
Average number of tons of all freight in each loaded car.....	26.77	26.43	.34	1.29
PASSENGER TRAFFIC				
Revenue passengers carried.....	960,213	968,173	7,960	.82
Revenue passengers carried one mile	111,397,844	106,306,095	5,091,749	4.79
Average distance carried—miles...	116.01	109.80	6.21	5.66
Revenue from passengers.....	\$2,216,171.15	\$2,187,218.23	\$28,952.92	1.32
Revenue per passenger.....	\$2.31	\$2.26	\$.05	2.21
Revenue per passenger mile—cts.	1.99	2.06	.07	3.40
Passenger service train revenue....	\$3,539,638.87	\$3,466,394.49	\$73,244.38	2.11
Average revenue passengers per car	11	11		
Average revenue passengers per train (including mixed).....	57	55	2	3.64
REVENUES AND EXPENSES				
Operating revenues.....	\$45,358,986.81	\$41,230,143.18	\$4,128,843.63	10.01
Operating expenses	\$32,792,245.89	\$31,514,202.25	\$1,278,043.64	4.06
Net operating revenue.....	\$12,566,740.92	\$9,715,940.93	\$2,850,799.99	29.34
Operating ratio.....	72.29%	76.43%	4.14%	5.42

LEHIGH VALLEY RAILROAD COMPANY

Additions and Betterments, Entire System, Year Ended December 31, 1939

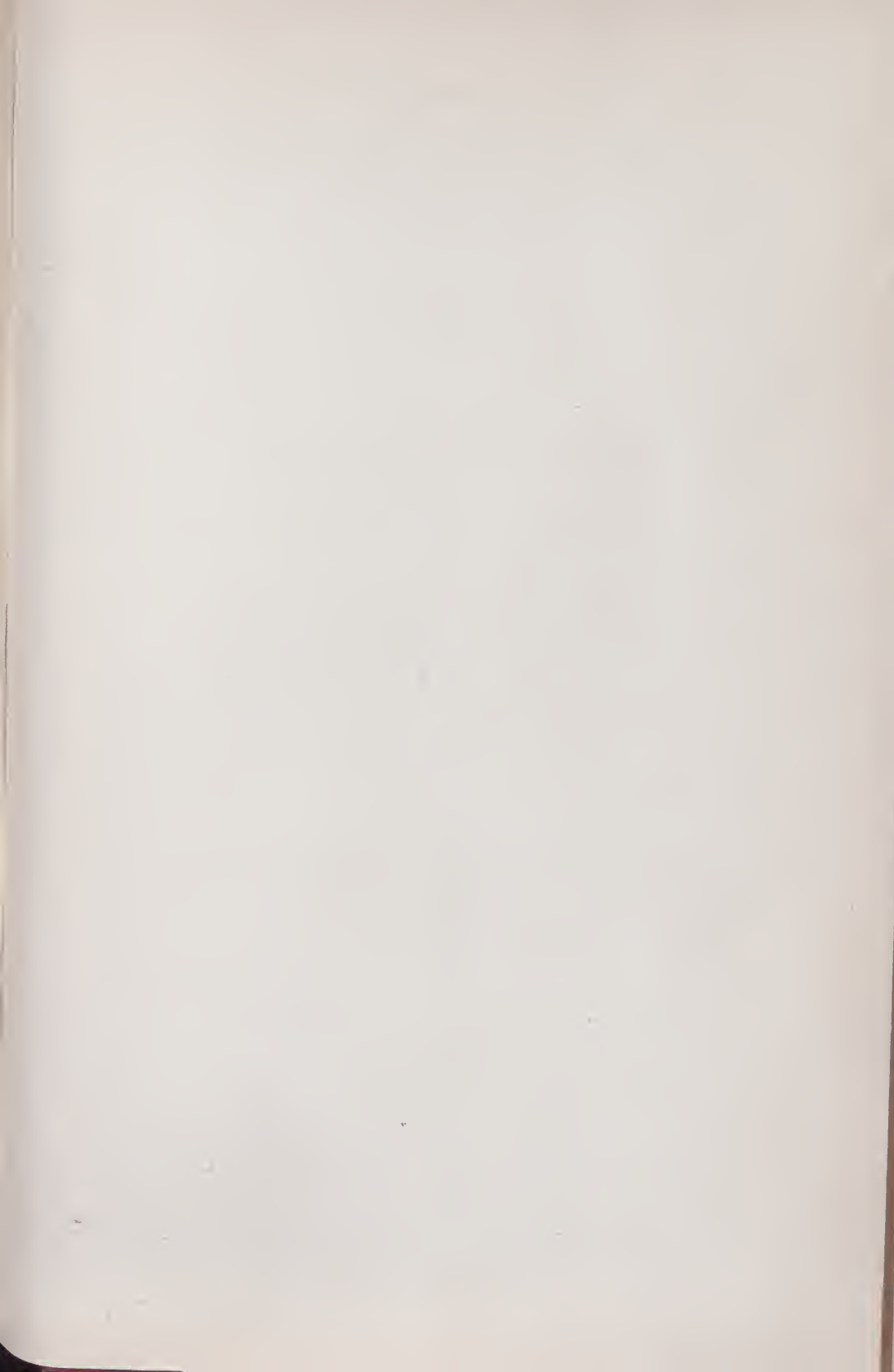
	EXPENDITURES AND CHARGES	RETIREMENTS	NET AMOUNT
Engineering	\$7,372.87	\$14,423.79	\$7,050.92
Land for transportation purposes.....	10,051.58	98,327.88	108,379.46
Other Right-of-Way—Expenditures		649.76	649.76
Grading	211,554.57	74,114.98	137,439.59
Bridges, trestles and culverts.....	116,496.83	67,595.73	48,901.10
Ties	16,876.05	18,852.45	1,976.40
Rails	19,868.09	173,080.68	153,212.59
Other track material.....	125,950.09	64,538.51	61,411.58
Ballast	53,609.02	22,521.16	31,087.86
Track laying and surfacing.....	47,507.36	100,411.11	52,903.75
Fences, snowsheds and signs.....	235.01	931.59	696.58
Station and office buildings.....	14,445.39	114,198.13	99,752.74
Roadway buildings.....	3,406.78	8,876.13	12,282.91
Water stations	13,573.13	35,234.87	21,661.74
Fuel stations	50,740.75	16,199.57	34,541.18
Shops and engine houses.....	61,992.98	414,348.32	352,355.34
Wharves and docks.....	29,576.67	777.30	28,799.37
Coal and ore wharves.....	25,638.70		25,638.70
Telegraph and telephone lines.....	6,994.87	15,128.84	8,133.97
Signals and interlockers.....	26,572.03	96,391.58	69,819.55
Power plants.....	137.06	68.89	205.95
Power transmission systems.....	520.24	7,931.99	7,411.75
Roadway machines.....	19,938.31	15,321.40	4,616.91
Public improvements—construction	83,890.30	6,698.58	77,191.72
Shop machinery.....	100,965.09	134,589.03	33,623.94
Power plant machinery.....	10,830.79	4,274.02	15,104.81
Steam locomotives	279,400.52	914,751.60	635,351.08
Other locomotives.....	65,095.31		65,095.31
Freight train cars.....	1,221,871.58	1,519,237.25	297,365.67
Passenger train cars.....	556,668.98	273,259.59	283,409.39
Floating equipment		222,010.76	222,010.76
Work equipment.....	45,225.70	58,749.35	13,523.65
Miscellaneous equipment.....	18,512.06	14,098.69	4,413.37
General expenditures.....	1,346.18	531.61	814.57
Total	\$3,198,286.59	\$4,506,687.84	\$1,308,401.25

LEHIGH VALLEY RAILROAD COMPANY

Classification of Tonnage for the Years Ended December 31, 1939 and 1938

COMMODITIES	1939		1938	
	TONS	PER CENT.	TONS	PER CENT.
Products of Agriculture.....	1,917,633	8.92	1,627,422	8.56
Animals and Products.....	481,486	2.24	463,398	2.44
Products of Mines.....	12,018,526	55.93	11,105,131	58.43
Products of Forests.....	317,807	1.48	250,156	1.32
Manufactures and Miscellaneous.....	6,458,586	30.05	5,307,883	27.93
Grand Total, Carload Traffic.....	21,194,038	98.62	18,753,990	98.68
All L.C.L. Freight.....	295,711	1.38	251,665	1.32
Grand Total Carload and L.C.L. Traffic	21,489,749	100.00	19,005,655	100.00









1939

TP